



State Legislative Update - March 21, 2014

Earlier in the week, the Assembly unanimously voted to make Assemblywoman Toni Atkins (D - San Diego) the next Speaker of the Assembly. While a specific date transferring leadership has not been determined, she will likely succeed Assembly Speaker John Pérez in late May or early June. Speaker-elect Atkins not only will be in charge of a 2/3 majority, but a majority consisting of members that are mostly serving their first terms in the Legislature.

Senate Supermajority Lost: Both Senator Ron Calderon and Senator Rod Wright opted to take a leave of absence leaving the Senate Democrats one vote short of a 2/3 supermajority. Senator Ron Calderon from L.A. County announced his intention to take a leave of absence from the State Senate pending resolution of a federal indictment on charges of corruption. He was facing the prospect of his colleagues voting to relieve him of his duties should he continue to serve. Senator Rod Wright, also from Los Angeles County, took his leave from the Senate. At the end of January, he was convicted of voter fraud and perjury due to not living in his district. The Senate has been under pressure to vote to remove the Senators, but will allow them to take leave for now as an alternative.

The loss of two democratic Senators means that the revised water bond, the Governor's budget reserve proposal to be placed on the ballot, and the Constitutional amendments lowering the voter threshold to approve a local tax will need at least one Republican Senator for passage. The State budget should not be affected since it requires only a majority vote.

Covered California Enrollment: Covered California announced that they officially exceeded 1 million enrollees in the Health Care Exchange. California currently leads the nation in enrollees, coming in at more than 20% of the total. Open enrollment ends March 31st. Last week the board also released details about enrollees through February, which exceeded expectations by more than 300,000.

Covered California

- Between October 1, 2013 and February 28, 2014, enrolled 880,082 individuals, 762,174 of which are eligible for subsidies.
- 85% of enrollees have paid their first month's premium.
- Plan selection: 1.1% minimum coverage, 23% Bronze, 62.5% Silver, 6.9% Gold, 6.5% Platinum.
- Age breakdown: 6.4% less than 18, 10.7% 18 to 25, 15.8% 26 to 34, 16.5% 35 to 44, 24% 45 to 54, 26.5% 55 to 64, 0.1% 65 and older.
- Racial profiles: 39.5% white, 22.9% Asian, 22% Latino, 16.7% other race or unknown, and 2.6% African-American.
- Nationwide, about 4.2 million individuals have signed up under health care exchanges.

Medi-Cal

- 968,500 new people have enrolled in Medi-Cal.
- 650,000 from county Low Income Health Programs.
- 134,000 from the State's Express Lane program.
- 184,500 through human services agencies.
- Medi-Cal enrollments through Covered California including those who are pending, eligible, and conditionally eligible total 1,136,000.

The Medi-Cal Expansion encompasses individuals and families up to 138% of federal poverty level. Individuals and families between 138% and 400% of federal poverty level are eligible for subsidies on a sliding scale under Covered California.

Hearings

Senate Budget Sub 2 on Transportation: The Senate Budget Subcommittee #2, chaired by Senator Jim Beall, reviewed and took action on the non-controversial transportation items included in the Governor's budget. One of the items held open was the Governor's proposal of an early repayment of \$349 million in loans to transportation programs. The Governor's budget proposes to allocate the majority of these funds to SHOPP (\$110 million), traffic management (\$100 million), and local streets and roads (\$100 million). CSAC is requesting for a greater share of the funds based on the formula the funds were taken. Under the gas tax swap formula these funds should allocate 44% to STIP, 44% local streets and roads, and 22% to SHOPP. Under this calculation, cities and counties should receive at least \$150 million of the repaid funds.

LAO Reports

LAO Transportation Analysis: The LAO released its analysis of the Governor's proposed transportation budget. The findings and recommendations made by the LAO include the following:

- ***Loan Repayment:*** The Governor's budget includes a \$337 million payment of a portion of the general fund loans owed the State Highway Account. Of the amount repaid, \$100 million is directed to cities and counties for local streets and roads projects. The LAO questions whether the proposed use of the repaid funds is the most cost effective approach. In particular, the LAO urges the Legislature to consider whether the \$100 million dedicated to cities and counties would be better spent on repairs to the state highway system.
- ***High-Speed Rail:*** The LAO recommends withholding funding on High-Speed Rail until the Administration provides a funding plan that identifies all funding sources that will be used to close the \$21 billion shortfall facing the initial operating segment, including identifying how much Cap & Trade revenue will be used. In addition, the LAO urges the Legislature to consider a full array of options for the Cap & Trade funds. The report can be found [here](#).

LAO Review of the Governor's IFD Proposal: Last week the LAO released its review of the Governor's proposal to expand the use of Infrastructure Financing Districts (IFDs) for local economic development purposes. The Governor proposes to allow cities and counties to create an IFD with the approval of 55% of the residents within the proposed district, and the District may fund projects ranging from housing to commercial facilities and projects aimed at meeting sustainable communities' goals. The LAO recommends that the Legislature consider the following variations to the Governor's proposal:

- Reject the authority for the Department of Finance to audit the new IFDs, and instead adopt independent audit requirements.
- Reject the Governor's proposed 55% voter approval of the project area residents and instead, require a 55% voter approval of the entire city. Or, establish a process that eliminates the need for a public vote by creating IFDs that are separate legal entities that are substantially similar to a JPA in terms of issuing debt.
- Reject the Governor's proposal to require cities and counties to meet specific requirements before creating an IFD. The Governor's proposal would require every city or county to have been issued a finding of completion for its RDA dissolution process, have implemented all findings in the State Controller's audit of the RDA dissolution process, and have no RDA dissolution lawsuits pending against the state.

LAO Child Care Analysis: The Governor's Proposed Budget contains \$1.7 billion for child care, a \$64 million (\$7 million General Fund) increase from the current year funding. It contains \$509 million for state preschool, an increase in \$2 million from the current year. The Legislative Analyst's Office believes the Governor's proposed child care funding budget for 2014-15 will come a few million short of covering expenses. The proposed budget doesn't contain policy changes, but attempts to estimate caseloads as well as costs per child for the 2014-15 budget year. After breaking down the Administration's assumptions, the LAO believes that, in general, the Governor is overestimating caseloads while underestimating costs per child.

Overall, the Governor is estimating a caseload increase of 3,300 in child care, bringing the statewide total to about 206,000. He assumes an increase of 5,000 in CalWORKs Stage 1, a decrease of 650 in CalWORKs Stage 2, a decrease of 2,000 in CalWORKs Stage 3, and an increase of 950 in non-CalWORKs child care. He is estimating an increase in state preschool of 600 part-day slots to total about 137,000. The LAO believes that the Administration is overestimating the CalWORKs Stage 2 caseload by about 3,000 cases. Currently, the Stage 2 caseload is about 2,000 below the Governor's estimate. There is also the expectation that a large number of families will no longer be eligible for Stage 2 and will be moved to Stage 3.

CalWORKs child care pays different types of providers at different rates – licensed child care centers receiving the highest rate, while unlicensed care receives 60% of that rate. Actual costs being reported in the current year are averaging 4% higher than estimated in Stage 2 and 2% higher in Stage 3 than the 2013-14 Budget. There is currently a process underway to make up for the \$22 million current year shortfall. However, the Governor is increasing cost estimates in Stage 2 and Stage 3 by 2% and 1% respectively, which is still lower than the current year's actual costs. The report can be found [here](#).